

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

**Boyle Companies & Regal Manors of
Grinnell, Inc.,**

Petitioner-Appellant,

v.

Poweshiek County Board of Review,
Respondent-Appellee.

ORDER

Docket No. 10-79-0002

Parcel No. 0563300

On March 21, 2011, the above-captioned appeal came before the State of Iowa Property Assessment Appeal Board. The appeal was conducted pursuant to Iowa Code section 441.37A(2) and Iowa Administrative Code rules 701-71.21(1) et al. Petitioner-Appellant Boyle Companies & Regal Manors of Grinnell, Inc. (Friendship Manor) designated Tim Anderson of Property Valuation Services, Overland Park, Kansas, as its legal representative. He participated in the hearing by telephone. The Respondent-Appellee, Poweshiek County Board of Review, designated County Attorney Becky Petig as its legal representative. Assessor Dotty Bates appeared on behalf of the Board of Review at hearing. A digital record of the proceedings was made. Both parties submitted evidence in support of their position. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

Findings of Fact

Boyle Companies & Regal Manors of Grinnell, Inc., doing business as Friendship Manor Care Centre, owner of property located at 415 6th Avenue West, Grinnell, Iowa, appeals from the Poweshiek County Board of Review decision assessing its property. The January 1, 2010, assessment shows the classification as commercial with a total assessed value of \$1,341,320, allocated \$108,430 to the land and \$1,232,890 to improvements.

Friendship Manor protested to the Board of Review on the ground that the property was assessed for more than authorized by law under Iowa Code section 441.37(1)(b) and that there had been a downward change in value under Iowa Code sections 441.37(1) and 441.35(3). It claimed that \$900,000, allocated \$108,430 to land value and \$791,570 to improvement value, was the actual value and a fair assessment of the property. The Board of Review denied the protest stating, "insufficient evidence to prove a downward change in value." Friendship Manor then reasserted its claim of downward change in value to this Board. Since 2010 in an interim non-assessment year, the ground of downward change in value is the only ground available to Friendship Manor. Friendship Manor now asserts the subject property's value is \$600,000; representing \$108,430 in land value and \$491,570 in improvement value.

Friendship Manor is a skilled nursing facility with 75 beds. It has approximately 23,456 square feet of gross building area. 13,832 square feet of the building was constructed in 1965 and 9624 square feet was constructed in 1973. The property is in average quality condition according to the property record card. It sits on 3.27 acres.

Tim Anderson testified the subject property is outdated and suffers from a vacancy factor from 50% to 67%. His report indicates the occupancy was 50% on January 1, 2010. Anderson stated there are three nursing homes in Grinnell: the subject property; the Mayflower, which has 60 beds and has an occupancy rate of 92%; and St. Francis, which has 78 beds and an occupancy rate of 91%. In his opinion, these two other nursing homes are newer and in better condition. He also believes these more modern facilities can market more home-like amenities, expanded services and options, and alternatives to long-term care that Friendship Manor cannot.

Anderson did a sales comparison approach to value. He used two comparables in his sales approach to value and determined a value range of \$30 to \$32 per square foot. He used \$31 per square

foot to value the subject property at \$782,868. We note that one of the comparables is listed for sale and both comparables are in larger areas. The subject property is assessed at \$57 per square foot.

Anderson also completed the cost approach to value. He determined a depreciated cost of the improvements to be \$286,151 and considered the assessed value for the market value of the land. His estimated value in the cost approach was \$594,581.

Anderson did not do an income approach to value because in his income approach he arrived at a negative net operating income. Anderson did provide a comparison of net operating income in 2007 through 2009 showing continued loss. In his opinion, this is the result of economic obsolescence. Anderson's reconciliation of the sales and cost approaches was \$689,000. The value is higher than his \$600,000 claim to this Board.

Dotty Bates, Poweshiek County Assessor, testified at hearing on behalf of the Board of Review. Bates submitted an assessment sales ratio study for 2009. The median ratio indicates a rate of 96.61%, which would indicate that for the City of Grinnell commercial properties are generally assessed just under market value.

Bates testified that the Board of Review denied the claim because in an interim year the petitioner must support the value as of January 1 of the prior year and the value of the property as of January 1 of the protest year.

Although Friendship Manor supplied data regarding the January 1, 2010, assessment, evidence was lacking to also prove the value of the property as of January 1, 2009, which is necessary to establish the downward change in value. Viewing the record as a whole, we find the preponderance of the evidence failed to support Friendship Manor's claim of a downward change in value.

Conclusions of Law

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2009). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determined anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.* 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sales prices of the property or comparable properties in normal transactions are also to be considered in arriving at market value. *Id.* If sales are not available, "other factors" may be considered in arriving at market value. § 441.21(2). The assessed value of the property "shall be one hundred percent of its actual value." § 441.21(1)(a).


The last numbered paragraph of Iowa Code section 441.37(1) and its reference to section 441.35(3) give rise to the claim of downward trend in value. *See Security Mut. Ins. Ass'n of Iowa v. Bd. of Review of City of Fort Dodge*, 467 N.W.2d 301,304 (Iowa Ct. App. 1991). For a taxpayer to be successful in its claim of change in value, the taxpayer must show a change in value from one year to the next; the beginning and final valuation. *Equitable Life Ins. Co. of Iowa v. Bd. of Review of the City of Des Moines*, 252 N.W.2d 449, 450 (Iowa 1977). The court also noted the assessed value cannot be used for this purpose. *Id.* Essentially, it is not enough for a taxpayer to prove the last regular

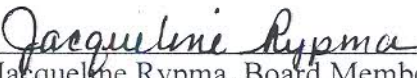
assessment was wrong; such a showing would be sufficient only in a year of regular assessment. *Id.* at 451.

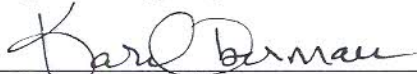
Viewing the evidence as a whole, it is our conclusion that evidence necessary to support the claim of downward change in value was lacking. Although the Friendship Manor "appraisal" was evidence of the January 1, 2010 value, it appeared incomplete. Furthermore, there was no evidence of the January 1, 2009, value of the property to demonstrate a change in value from one year to the next. The Appeal Board, therefore, affirms the Friendship Manor January 1, 2010, property assessment

THE APPEAL BOARD ORDERS the January 1, 2010 assessment is \$1,341,320 in total value; representing \$108,430 in land value and \$1,232,890 in improvement value as set by the Board of Review.

Dated this 13 day of May 2011.


Richard Stradley, Presiding Officer


Jacqueline Rypma, Board Member


Karen Oberman, Board Member

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Certificate of Service	
The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on <u>5-13</u> , 201 <u>1</u>	
By:	<input checked="" type="checkbox"/> U.S. Mail <input type="checkbox"/> FAX
	<input type="checkbox"/> Hand Delivered <input type="checkbox"/> Overnight Courier
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